

**Housing Authority of the
VILLAGE OF FENTON**
Fenton, Louisiana

**Annual Financial Report
As of and for the Year Ended December 31, 2012**

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Basic Financial Statements

As of and for the Year Ended December 31, 2012

With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Village of Fenton
Fenton, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the Village of Fenton (the authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Independent Auditor's Report, 2012

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Housing Authority of the Village of Fenton as of December 31, 2012, and the respective changes in net financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's discussion and analysis* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the authority's basic financial statements. The Financial Data Schedule and the Schedule of Compensation of Board Members are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Data Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Independent Auditor's Report, 2012

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The Schedule of Compensation of Board Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 15, 2013 on my consideration of the authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the authority's internal control over financial reporting and compliance.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 15, 2013

Housing Authority of the Village of Fenton
Fenton, Louisiana

Management's Discussion and Analysis

For the Year Ended December 31, 2012

The management of Public Housing Authority of Fenton, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2012. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$735,029 at the close of the fiscal year ended 2012.
 - ✓ Of this amount \$725,839 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - ✓ The remainder of \$9,190 of unrestricted position could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 4% of the total operating expenses of \$241,345 for the fiscal year 2012.
- The Housing Authority's total net position decreased by \$54,113, a 7% decrease from the prior fiscal year 2011. This decrease is attributable to significant increases in Federal grants for both operations and capital improvements, described in more detail below.
- The decrease in net position of these funds was accompanied by a decrease in unrestricted cash by \$29,748 from fiscal year 2011, primarily due to spending \$8,788 more for operations than Federal funds received for operations; and spending \$20,961 more for capital assets than Federal capital grants received.
- The Authority spent \$2,846 on capital asset additions during the current fiscal year.
- These changes led to a decrease in total assets by \$51,890 and an increase in total liabilities by \$2,223. As related measure of financial health, there are still over \$2 of current assets covering each dollar of total current liabilities, which compares to \$3 covering the prior fiscal year's liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2012?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

The authority accounts for all financial activity in a single enterprise fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net position and changes in them. One can think of the Housing Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net positions are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing	\$ 68,195
Public Housing Capital Fund Program	<u>52,687</u>
Total funding received this current fiscal year	<u><u>\$ 120,882</u></u>

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Housing Authority of Fenton, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2012

FINANCIAL ANALYSIS

The Housing Authority's net position was \$735,029 as of December 31, 2012. Of this amount, \$725,839 was invested in capital assets, and the remaining \$9,190 was unrestricted. No other specific Assets are restricted.

CONDENSED FINANCIAL STATEMENTS

**Condensed Statement of Net Position
As of December 31, 2012**

	<u>2012</u>	<u>2011</u>
ASSETS AND DEFERRED OUTFLOWS		
Current assets	\$ 21,587	\$ 43,997
Capital assets, net of depreciation	<u>725,839</u>	<u>755,609</u>
Total assets	<u>747,426</u>	<u>799,606</u>
Deferred outflows	<u>4,380</u>	4,090
LIABILITIES		
Current liabilities	<u>16,777</u>	<u>14,554</u>
Total liabilities	<u>16,777</u>	<u>14,554</u>
NET POSITION		
Invested in capital assets, net of depreciation	725,839	755,609
Unrestricted net position	<u>9,190</u>	<u>33,533</u>
Total net position	<u>735,029</u>	<u>789,142</u>
Total liabilities and net position	<u>751,806</u>	<u>803,696</u>

Housing Authority of Fenton, Louisiana
Management's Discussion and Analysis (MD&A)
December 31, 2012

CONDENSED FINANCIAL STATEMENTS (Continued)

The net position of these funds decreased by \$54,113, or by 7%, from those of fiscal year 2012, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes Net Position
Fiscal Year Ended December 31, 2012**

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Federal grants for operations	\$ 100,918	\$105,029
Tenant Rental Revenue	62,449	57,762
Other tenant revenue	2,156	897
Total operating revenues	<u>165,523</u>	<u>163,688</u>
OPERATING EXPENSES		
General	23,474	22,235
Maintenance and repairs	92,257	52,482
Administrative expenses and management fees	60,642	62,023
Utilities	2,838	2,554
Depreciation	62,134	56,361
Total operating expenses	<u>241,345</u>	<u>195,655</u>
(Losses) from operations	<u>(75,822)</u>	<u>(31,967)</u>
NON-OPERATING REVENUES		
Other non-tenant revenue	1,745	68
Total Non-Operating Revenues	<u>1,745</u>	<u>68</u>
NON-OPERATING EXPENSES		
Total non-operating expenses	<u>-</u>	<u>-</u>
(Losses) after non-operating revenues	<u>(74,077)</u>	<u>(31,899)</u>
OTHER CHANGES IN NET POSITION		
Federal grants for capital expenditures	19,964	-
NET (DECREASES) IN NET POSITION	<u>(54,113)</u>	<u>(31,899)</u>
NET POSITION, beginning of fiscal year	<u>789,142</u>	<u>821,041</u>
NET POSITION, end of fiscal year	<u><u>735,029</u></u>	<u><u>789,142</u></u>

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$23,476, or by 14%, from a combination of larger offsetting factors. Reasons for most of this change are listed below:

- Total tenant revenue increased by \$5,946, or by 10%, from that of the prior fiscal year due to the amount of rent each tenant pays, which is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. In addition, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$1,259.
- Federal revenues from HUD for operations decreased by \$4,111, or by 4%, from that of the prior fiscal year.
- Federal Capital Funds from HUD increased by \$19,964 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2010 through 2011, and submitted new grants during this current fiscal year.
- Total other non-operating revenue increased by \$1,677 from that of the prior fiscal year, because the Authority received proceeds from casualty insurance claims, which are recorded as other income by the Authority in the year received, and the Authority received some waivers of payments in lieu of taxes (PILOT) from its related City taxing authority.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$45,689, or by 23%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below:

- Depreciation expense increased by \$5,772, or by 10%, from that of the prior fiscal year, because there was an increase in capital assets by \$2,846.
- Maintenance and repairs increased by \$39,775, or by 76%, from that of the prior fiscal year, due to several factors: Maintenance materials used increased by \$18,260, or by 70%, and contract labor costs increased by \$21,515, or by 81%.
- General Expenses increased by \$1,239, or by 6%, from that of the prior fiscal year, and payments in lieu of taxes (PILOT) increased by \$440, or by 8%. PILOT is calculated as a percentage of rent minus utilities which, therefore, changed proportionately to the changes in each of these. Insurance premiums increased by \$767, or by 5%, since property and casualty insurance premiums increased.
- Administrative Expenses decreased by \$1,381, or by 2%, from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries decreased by \$1,066, but related employee benefit contributions increased by \$1,154. In addition, audit fees decreased by \$1,925, staff training/travel reimbursements decreased by \$1,872, office expenses decreased by \$732, and sundry expenses increased by \$3,061; therefore, other staff administrative expense decreased by 6%.
- Utilities, totaling \$2,838, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2012, the Housing Authority had a total cost of \$1,961,357 invested in a broad range of assets and construction in progress from projects funded in 2010 through 2013, listed below. This amount, not including depreciation, represents increases of \$2,846 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

Capital Assets, Net of Accumulated Depreciation As of December 31, 2012

	<u>2012</u>	<u>2011</u>
Land	\$ 29,049	\$ 29,049
Buildings	631,557	677,863
Leasehold improvements	34,978	42,839
Furniture and equipment	30,255	5,858
	<u>725,839</u>	<u>755,609</u>
Total		

As of the end of the 2012 fiscal year, the Authority is still in the process of completing HUD grants of \$115,172 obtained during 2010 through 2013 fiscal years.

Debt

The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2013 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Vanessa Lee, at Public Housing Authority of Fenton, Louisiana; P.O. Box 299; Fenton, LA 70640.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Statement of Net Position

As of December 31, 2012

ASSETS AND DEFERRED OUTFLOWS**Current assets**

Cash and cash equivalents	2,262
Receivables:	
HUD	13,688
Tenant rents, net of allowance	964
Restricted assets - cash and cash equivalents	<u>4,673</u>
Total current assets	<u>21,587</u>

Noncurrent assets

Capital assets:

Nondepreciable capital assets:

Land	<u>29,049</u>
Total nondepreciable capital assets	<u>29,049</u>

Depreciable capital assets:

Buildings and improvements	1,807,482
Furniture and equipment	124,826
Less accumulated depreciation	<u>(1,235,518)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>696,790</u>

Total capital assets, net of accumulated depreciation	<u>725,839</u>
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Total assets	<u>747,426</u>
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Deferred outflows

Prepaid expenses	<u>4,380</u>
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ASSETS AND DEFERRED OUTFLOWS	<u><u>751,806</u></u>
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(continued)

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Statement of Net Position

As of December 31, 2012

LIABILITIES AND NET POSITION**Current Liabilities**

Accounts payable	2,371
Payable to other governments	5,961
Accrued wages payable	3,428
Other liability	344
Security deposit liability	4,673
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Total current liabilities	16,777
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Noncurrent liabilities

Total noncurrent liabilities	-
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Total liabilities	16,777
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LIABILITIES	16,777
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NET POSITION

Invested in capital assets, net of related debt	725,839
Restricted	-
Unrestricted	9,190
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Total Net Position	\$ 735,029
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The accompanying notes are an integral part of these financial statements.

Exhibit B

HOUSING AUTHORITY OF THE VILLAGE OF FENTON
Fenton, Louisiana
Statement of Revenues, Expenses, and Changes In Net Position
For the Year ended December 31, 2012

Operating Revenues	
HUD Operating Grants	\$ 100,918
Dwelling Rental	62,449
Other Operating	<u>2,156</u>
Total operating revenues	<u>165,523</u>
Operating Expenses	
General and administrative	84,117
Repairs and maintenance	92,257
Utilities	2,837
Depreciation and amortization	<u>62,134</u>
Total operating expenses	<u>241,345</u>
Operating income (loss)	(75,822)
Nonoperating Revenues (Expenses):	
Miscellaneous revenues	<u>1,745</u>
Total nonoperating revenues (expenses)	<u>1,745</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(74,077)
Capital contributions (grants)	19,964
Increase (decrease) in net position	(54,113)
Net position, beginning of year	<u>789,142</u>
Net position, end of year	<u><u>\$ 735,029</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON
Statement of Cash Flows
For the Year ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from federal subsidies	\$ 92,688
Receipts from tenants	64,707
Payments to suppliers	(141,853)
Payments to employees	<u>(34,635)</u>
Net cash provided by operating activities	<u>(19,093)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous revenues	<u>1,745</u>
Net cash provided by noncapital financing activities	<u>1,745</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital grants	19,964
Purchase and construction of capital assets	<u>(32,364)</u>
Net cash (used in) capital and related financing activities	<u>(12,400)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>(29,748)</u>
Cash and cash equivalents - beginning of year	<u>36,683</u>
Cash and Cash equivalents - unrestricted	2,262
Cash and Cash equivalents - restricted	4,673
Total Cash and Cash Equivalents - end of year	<u>\$ 6,935</u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating (loss)	\$ (75,822)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation and amortization	62,134
Changes in assets and liabilities:	
HUD receivable	(8,230)
Tenant rents, net of allowance	892
Prepaid insurance	(290)
Accounts payable	890
Accrued wages payable	1,903
PILOT Payable	394
Prepaid rent	(341)
Other liability	167
Security deposit liability	<u>(790)</u>
Net cash provided by operating activities	<u>\$ (19,093)</u>

The accompanying notes are an integral part of the financial statements

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Basic Financial Statements

December 31, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying basic financial statements of the authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(1) Reporting Entity

The Housing Authority of The Village of Fenton (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of the Village of Fenton, Louisiana. This formation was contingent upon the approval of the village.

The authority is governed by a Board of Commissioners (Board), which is composed of five members appointed by the village and serve five-year staggered terms. The Board of the authority exercises all powers granted to the authority.

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, the authority is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt. The authority has no component units, defined by GASB 14 as other legally separate organizations for which the elected authority members are financially accountable.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

The authority is a related organization of the Village of Fenton, Louisiana since the village appoints a voting majority of the authority's governing board. The village is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the village. Accordingly, the authority is not a component unit of the financial reporting entity of the village.

(2) Funds

The accounts of the authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the authority are classified as proprietary. The general fund accounts for transactions of all of the authority's programs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority's enterprise fund are HUD operating grants and subsidies, and tenant dwelling rents. Operating expenses include General and Administrative expenses, repairs and maintenance expenses, utilities and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accompanying basic financial statements of the authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB statement No. 34, Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments, which was unanimously approved in June 1999 by the GASB.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

(3) Measurement focus and basis of accounting

Proprietary finds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this management focus all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

(4) Assets, liabilities, and net position

(a) Deposits

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. HUD regulations, state law and the authority's investment policy allow the housing authority to invest in collateralized certificates of deposit and securities backed by the federal government.

(b) Inventory and prepaid items

All inventories are valued at cost on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(c) Restricted Assets

Cash equal to the amount of tenant security deposits is reflected as restricted.

(d) Capital assets

Capital assets of the authority are included in the statement of net position and are recorded at actual cost. The capitalization threshold is \$2,000. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

Buildings	33 years
Modernization and improvements	15 years
Furniture and equipment	3-7 years

(e) Due from/to other governments or agencies

Amounts due from/to the authority to/by other governments or agencies are generally for grants or programs under which the services have been provided by the authority. The authority also records an amount due to the various taxing districts within the region for payments in lieu of taxes.

(f) Allowance for doubtful accounts

The authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At December 31, 2012, the management of the authority established an allowance for doubtful accounts of approximately \$4,197.

(h) Restricted net position

Restricted net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

(i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the government-wide financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

NOTE B – DEPOSITS

Deposits are stated at cost, which approximates fair value. Under state law and/or federal regulation, these deposits, or the resulting bank balances, must be in Federal Securities, secured by federal deposit insurance or the pledge of federal securities. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

As of December 31, 2012, the authority's carrying amount of deposits was \$6,935, which includes the following:

Cash and cash equivalents-unrestricted	\$2,262
Cash and cash equivalents- restricted	4,673
Total	\$6,935

Interest Rate Risk—The authority's policy does not address interest rate risk.

Credit Rate Risk—Since all of the authority's deposits are federally insured and/or backed by federal securities, the authority does not have credit rate risk.

Custodial Credit Risk—This is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority does not have a policy for custodial credit risk. \$7,460 of the authority's total deposits were covered by federal depository insurance, and do not have custodial credit risk. The bank balances at December 31, 2012 totaled \$7,460.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2012 was as follows:

	<u>12 31 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>12 31 2012</u>
Nondepreciable Assets:				
Land	29,049			29,049
Construction in Progress	-	-	-	-
Depreciable Assets:				
Building and improvements	1,807,482	-	-	1,807,482
Furniture and equipment	<u>121,981</u>	<u>32,364</u>	<u>29,518</u>	<u>124,827</u>
Total	<u>1,958,512</u>	<u>32,364</u>	<u>29,518</u>	<u>1,961,358</u>
Less accumulated depreciation				
Building and improvements	1,089,881	54,168	-	1,144,049
Furniture and equipment	<u>113,021</u>	<u>7,966</u>	<u>29,518</u>	<u>91,469</u>
Total accumulated depreciation	<u>1,202,902</u>	<u>62,134</u>	<u>29,518</u>	<u>1,235,518</u>
Net Capital Assets	<u>755,610</u>	<u>(29,770)</u>	<u>-</u>	<u>725,839</u>

NOTE D – POST EMPLOYMENT RETIREMENT BENEFITS

During the fiscal year the authority implemented GASB 45. The authority does not provide any post employment retirement benefits. Therefore the authority does not include any entries for unfunded actuarial accrued liability, net OPEB expense, or annual contribution required.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

NOTE E – RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The authority's risk management program encompasses obtaining property and liability insurance.

The authority transfers risk of loss by participating in a public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk.

This includes coverage of property, general liability, public liability, and workers compensation. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the authority's deductions are met.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

NOTE F – FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries. The authority is subject to HUD's consideration of reducing grants in order to have the authority utilize authority Equity to fund expenses.

NOTE G – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the authority through May 15, 2013 and concluded that no subsequent events have occurred that would require

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Notes to the Financial Statements, 2012 – Continued

recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE H – ECONOMIC DEPENDENCE

Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$120,882 to the authority, which represents approximately 64% of the authority's total revenue for the year.

Financial Data Schedule

Village of Fenton Housing Authority (LA261)
Fenton, LA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2012

	Project Total	Subtotal	Total
111 Cash - Unrestricted	\$2,262	\$2,262	\$2,262
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted			
114 Cash - Tenant Security Deposits	\$4,673	\$4,673	\$4,673
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$6,935	\$6,935	\$6,935
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects	\$13,688	\$13,688	\$13,688
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous			
126 Accounts Receivable - Tenants	\$5,161	\$5,161	\$5,161
126.1 Allowance for Doubtful Accounts - Tenants	-\$4,197	-\$4,197	-\$4,197
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$14,652	\$14,652	\$14,652
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets	\$4,380	\$4,380	\$4,380
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$25,967	\$25,967	\$25,967
161 Land	\$29,049	\$29,049	\$29,049
162 Buildings	\$1,375,720	\$1,375,720	\$1,375,720
163 Furniture, Equipment & Machinery - Dwellings	\$39,779	\$39,779	\$39,779
164 Furniture, Equipment & Machinery - Administration	\$85,047	\$85,047	\$85,047
165 Leasehold Improvements	\$431,762	\$431,762	\$431,762
166 Accumulated Depreciation	-\$1,235,518	-\$1,235,518	-\$1,235,518
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$725,839	\$725,839	\$725,839
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$725,839	\$725,839	\$725,839
190 Total Assets	\$751,806	\$751,806	\$751,806

Financial Data Schedule

311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$2,371	\$2,371	\$2,371
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable	\$3,428	\$3,428	\$3,428
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government	\$5,961	\$5,961	\$5,961
341 Tenant Security Deposits	\$4,673	\$4,673	\$4,673
342 Deferred Revenues	\$10	\$10	\$10
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other	\$334	\$334	\$334
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$16,777	\$16,777	\$16,777
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$16,777	\$16,777	\$16,777
508.1 Invested In Capital Assets, Net of Related Debt	\$725,839	\$725,839	\$725,839
511.1 Restricted Net Assets			
512.1 Unrestricted Net Assets	\$9,190	\$9,190	\$9,190
513 Total Equity/Net Assets	\$735,029	\$735,029	\$735,029
600 Total Liabilities and Equity/Net Assets	\$751,806	\$751,806	\$751,806

Financial Data Schedule

Village of Fenton Housing Authority (LA261)
Fenton, LA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 12/31/2012

	Project Total	Subtotal	Total
70300 Net Tenant Rental Revenue	\$62,449	\$62,449	\$62,449
70400 Tenant Revenue - Other	\$2,156	\$2,156	\$2,156
70500 Total Tenant Revenue	\$64,605	\$64,605	\$64,605
70600 HUD PHA Operating Grants	\$100,918	\$100,918	\$100,918
70610 Capital Grants	\$19,964	\$19,964	\$19,964
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted			
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$1,745	\$1,745	\$1,745
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$187,232	\$187,232	\$187,232
91100 Administrative Salaries	\$34,635	\$34,635	\$34,635
91200 Auditing Fees	\$6,500	\$6,500	\$6,500
91300 Management Fee			
91310 Book-keeping Fee			
91400 Advertising and Marketing	\$180	\$180	\$180
91500 Employee Benefit contributions - Administrative	\$1,918	\$1,918	\$1,918
91600 Office Expenses	\$10,902	\$10,902	\$10,902
91700 Legal Expense			
91800 Travel	\$1,521	\$1,521	\$1,521
91810 Allocated Overhead			
91900 Other	\$4,987	\$4,987	\$4,987
91000 Total Operating - Administrative	\$60,643	\$60,643	\$60,643
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0
93100 Water	\$150	\$150	\$150
93200 Electricity	\$2,533	\$2,533	\$2,533
93300 Gas			
93400 Fuel			
93500 Labor			
93600 Sewer	\$154	\$154	\$154
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$2,837	\$2,837	\$2,837

Financial Data Schedule

94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and Other	\$44,329	\$44,329	\$44,329
94300 Ordinary Maintenance and Operations Contracts	\$47,928	\$47,928	\$47,928
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$92,257	\$92,257	\$92,257
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance	\$12,045	\$12,045	\$12,045
96120 Liability Insurance	\$1,131	\$1,131	\$1,131
96130 Workmen's Compensation	\$765	\$765	\$765
96140 All Other Insurance	\$2,509	\$2,509	\$2,509
96100 Total Insurance Premiums	\$16,450	\$16,450	\$16,450
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes	\$5,961	\$5,961	\$5,961
96400 Bad debt - Tenant Rents	\$1,063	\$1,063	\$1,063
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$7,024	\$7,024	\$7,024
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$179,211	\$179,211	\$179,211
97000 Excess of Operating Revenue over Operating Expenses	\$8,021	\$8,021	\$8,021

Financial Data Schedule

97100	Extraordinary Maintenance			
97200	Casualty Losses - Non-capitalized			
97300	Housing Assistance Payments			
97350	HAP Portability-In			
97400	Depreciation Expense	\$62,134	\$62,134	\$62,134
97500	Fraud Losses			
97600	Capital Outlays - Governmental Funds			
97700	Debt Principal Payment - Governmental Funds			
97800	Dwelling Units Rent Expense			
90000	Total Expenses	\$241,345	\$241,345	\$241,345
10010	Operating Transfer In	\$27,963	\$27,963	\$27,963
10020	Operating transfer Out	-\$27,963	-\$27,963	-\$27,963
10030	Operating Transfers from/to Primary Government			
10040	Operating Transfers from/to Component Unit			
10050	Proceeds from Notes, Loans and Bonds			
10060	Proceeds from Property Sales			
10070	Extraordinary Items, Net Gain/Loss			
10080	Special Items (Net Gain/Loss)			
10091	Inter Project Excess Cash Transfer In			
10092	Inter Project Excess Cash Transfer Out			
10093	Transfers between Program and Project - In			
10094	Transfers between Project and Program - Out			
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$54,113	-\$54,113	-\$54,113
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0
11030	Beginning Equity	\$789,142	\$789,142	\$789,142
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors			
11050	Changes in Compensated Absence Balance			
11060	Changes in Contingent Liability Balance			
11070	Changes in Unrecognized Pension Transition Liability			
11080	Changes in Special Term/Severance Benefits Liability			
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100	Changes in Allowance for Doubtful Accounts - Other			
11170	Administrative Fee Equity			
11180	Housing Assistance Payments Equity			
11190	Unit Months Available	300	300	300
11210	Number of Unit Months Leased	291	291	291
11270	Excess Cash	-\$9,727	-\$9,727	-\$9,727
11610	Land Purchases	\$0	\$0	\$0
11620	Building Purchases	\$0	\$0	\$0
11630	Furniture & Equipment - Dwelling Purchases	\$9,364	\$9,364	\$9,364
11640	Furniture & Equipment - Administrative Purchases	\$10,600	\$10,600	\$10,600
11650	Leasehold Improvements Purchases	\$0	\$0	\$0
11660	Infrastructure Purchases	\$0	\$0	\$0
13510	CFFP Debt Service Payments	\$0	\$0	\$0
13901	Replacement Housing Factor Funds	\$0	\$0	\$0

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Schedule of Compensation Paid to Board Members
Fiscal Year Ended December 31, 2012

Board members serve without compensation

William Daniel McCaskill, CPA
A Professional Accounting Corporation
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Louisiana Society of CPA's
American Institute of CPA's

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Board of Commissioners
Housing Authority of the Village of Fenton
Fenton, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Village of Fenton, as of and for the year ended December 31 2012, and the related notes to the financial statements, which collectively comprise the authority's basic financial statements, and have issued my report thereon dated May 15, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Report on Internal Control... *Government*

Auditing Standards, 2012

Page Two

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

May 15, 2013

Fenton, Louisiana

HOUSING AUTHORITY OF THE VILLAGE OF FENTON

Fenton, Louisiana

Schedule of Prior Year Audit Findings
Fiscal Year Ended December 31, 2012

There were no findings in the prior audit.